



State of Illinois

\$550,000,000* General Obligation Bonds, Series of June 2016

Investor Presentation
June 6, 2016



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The Preliminary Official Statement for this issue can be found at MuniOS.com, <https://www.munios.com/munios-notice.aspx?e=SSOUV>

The Preliminary Official Statement for this issue can be found at www.emma.com under CUSIP 452152



General Obligation Bonds, Series of June 2016

General Obligation Bonds, Series of June 2016 Financing Overview	
Estimated Size	\$550,000,000*
Use of Proceeds	To provide funds to finance capital projects under the State's capital program
Tax Status	Tax-Exempt
Final Maturity	2041
Amortization	Level Principal beginning June 1, 2017, bidders have the option to designate and aggregate one or more maturities of the Bonds, as no more than two term bonds, as more fully described in the Official Notice of Bond Sale and the Official Bid Form.
Interest Payment Dates	December 1 and June 1, commencing December 1, 2016
Redemption Features	Callable June 1, 2026
Mode	Fixed rate bonds
Sale Structure	Competitive
Security and Repayment Source	Direct general obligation of the State; full faith and credit pledge
Ratings (S&P/Fitch/Moody's)	BBB+/BBB+/Baa2
Bid Date	June 16, 2016
Closing	June 29, 2016

Year	Par (\$mm)*
2017	22,000,000
2018	22,000,000
2019	22,000,000
2020	22,000,000
2021	22,000,000
2022	22,000,000
2023	22,000,000
2024	22,000,000
2025	22,000,000
2026	22,000,000
2027	22,000,000
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2033	22,000,000
2034	22,000,000
2035	22,000,000
2036	22,000,000
2037	22,000,000
2038	22,000,000
2039	22,000,000
2040	22,000,000
2041	22,000,000

*Preliminary, subject to change.



State of Illinois Financial Management Team

Tim Nuding, Director of the Governor's Office of Management and Budget

- Appointed Director of the Governor's Office of Management and Budget in January 2015
- 25 years of experience working in the State of Illinois government with focus on budget issues
- Most recently Chief of Staff to Illinois Senate Republicans

Kim Fowler, Chief Legal Counsel

- Appointed Chief Legal Counsel of the Governor's Office of Management and Budget in January 2015
- 25 years of experience in State government, including serving on Governor's legal staff from 1990-1998 and as Illinois' debt director from 1999-2002

Alexis Sturm, Deputy Director for Debt, Capital and Revenue

- Appointed Deputy Director for Debt, Capital and Revenue in September 2015
- 18 years of experience in State government, including 11 years as senior staff for the Comptroller working on fiscal policy issues and fiscal/debt reporting and over 6 years in the Governor's budget office working on debt management and revenue issues

Kelly Hutchinson, Director of Capital Markets

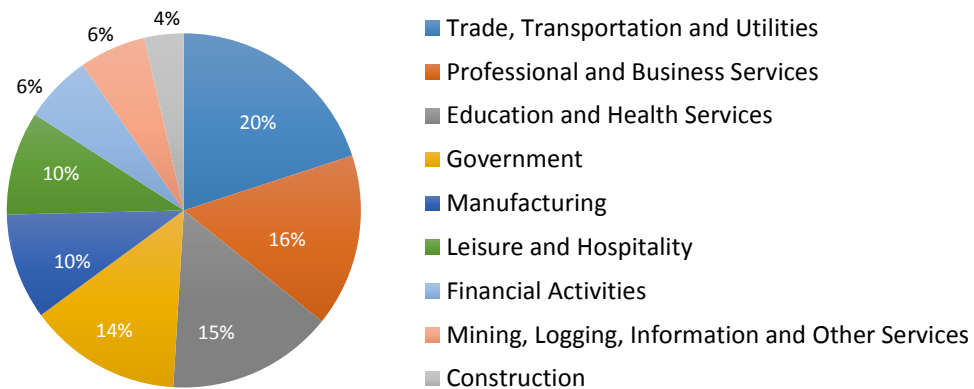
- Appointed Director of Capital Markets in November 2015
- Responsible for day-to-day operations of Illinois' debt program
- Formerly a Director at a nationally ranked financial advisory firm
- Over 10 years of experience in Public finance and over 5 years of experience in investment banking and corporate finance



Illinois is a State of Diversified Economic Strength

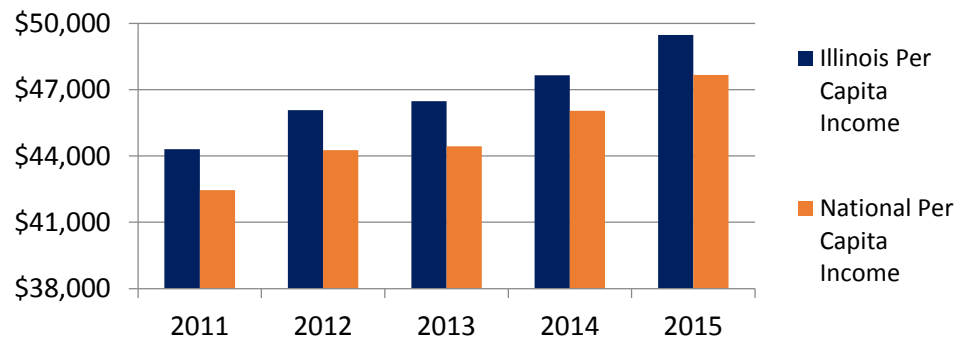
- Workforce composition mirrors that of the U.S.
- Per Capita Income remains above the national average

2015 Non-Agricultural Payroll Jobs by Industry



Source: U.S. Department of Labor, Bureau of Labor Statistics

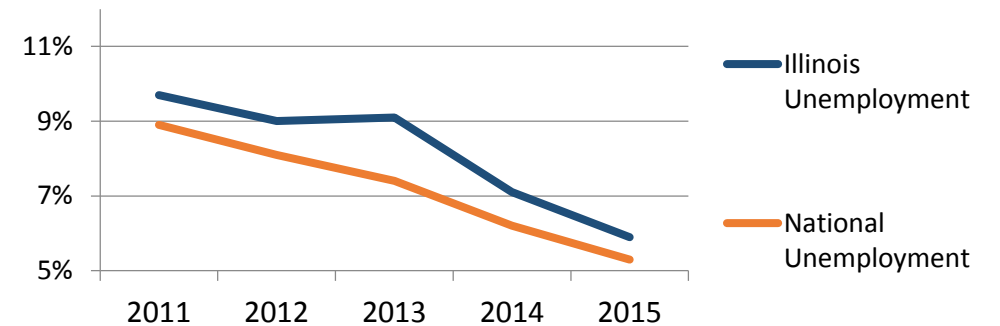
Per Capita Income



Source: U.S. Department of Commerce, Bureau of Economic Analysis, April 2016

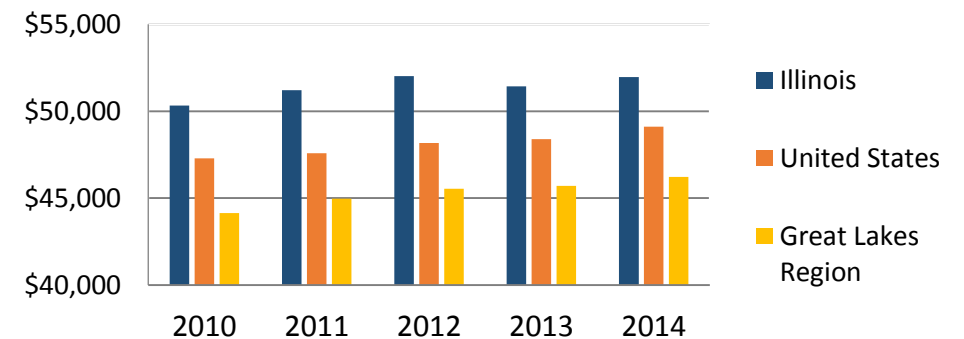
- Unemployment declining along with national trends
- Serves as a transportation hub and is home to 34 Fortune 500 headquarters

Unemployment Rates (Not Seasonally Adjusted)



Source: U.S. Department of Labor, Bureau of Labor Statistics Data

Per Capita Gross Domestic Product (GDP)



Source: Bureau of Economic Analysis, current data as of May 5, 2016.



Current Status of FY 2016 Budget¹

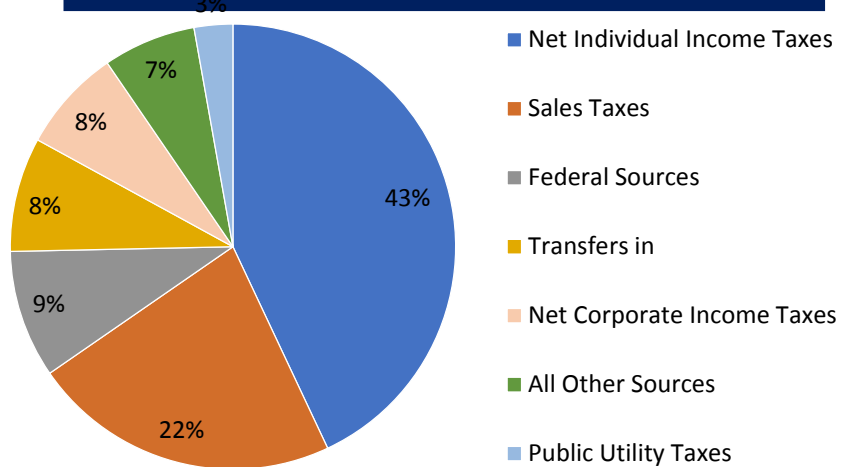
- As of May 31, 2016, a full FY 2016 General Funds budget has not been enacted.
- Certain appropriations were enacted and spending is occurring through statutory transfers, statutory continuing appropriations, court orders and consent decrees. Such spending includes:
 - General Obligation and Build Illinois bond debt service payments - State is current on all payments
 - Funding for elementary and secondary education
 - Medicaid and certain social service grant programs covered by consent decree
 - State employee payrolls by court order
 - \$600 million from the Education Assistance Fund for higher education
- State agencies are only submitting vouchers for payment for items covered by appropriations, continuing appropriations or court orders/consent decrees.
- As of May 31, 2016 the Comptroller was holding \$2.9 billion in unpaid General Funds vouchers and pending transfers.
 - This amount is bills on hand at the Comptroller's office and does not include bills that the agencies are holding.
 - The Comptroller has estimated that approximately \$4.1 billion in bills are on hold at the State agencies.

¹ The State can provide no assurance that spending reductions, revenue changes or additional appropriations will be passed by the General Assembly or signed into law by the Governor.

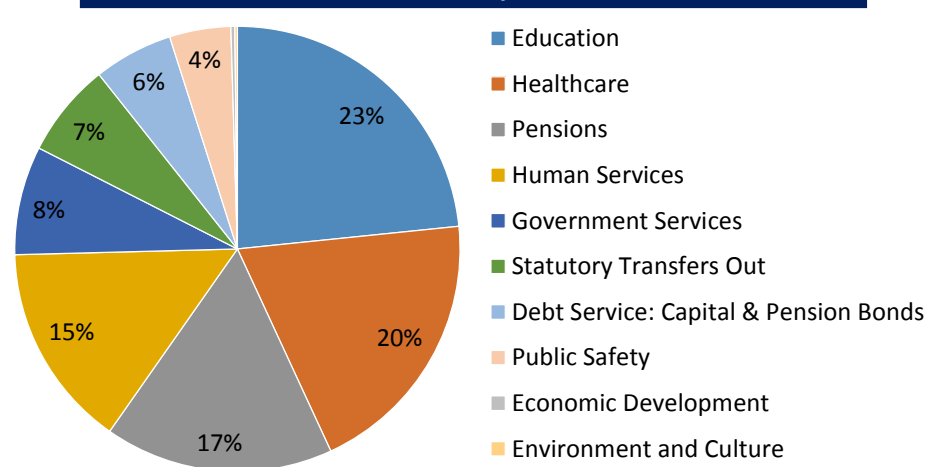


FY 2015 Actual and FY 2016 Estimated¹ General Funds Revenues, Expenditures, and Surplus/Deficit

FY 2015 General Funds Actual Revenues



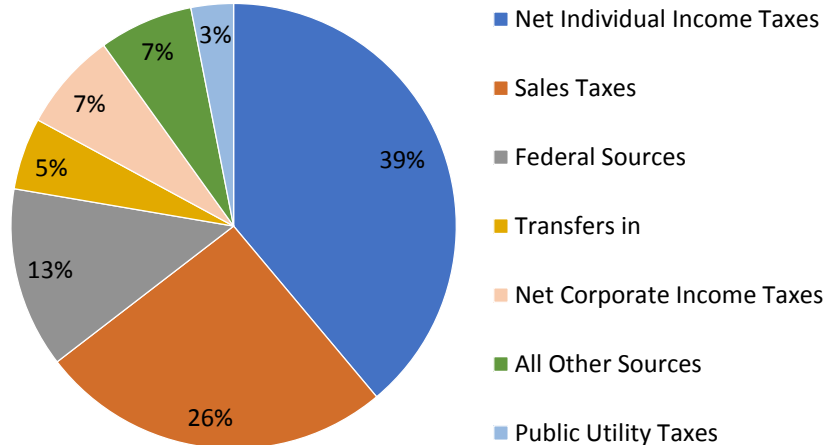
FY 2015 General Funds Actual Expenditures



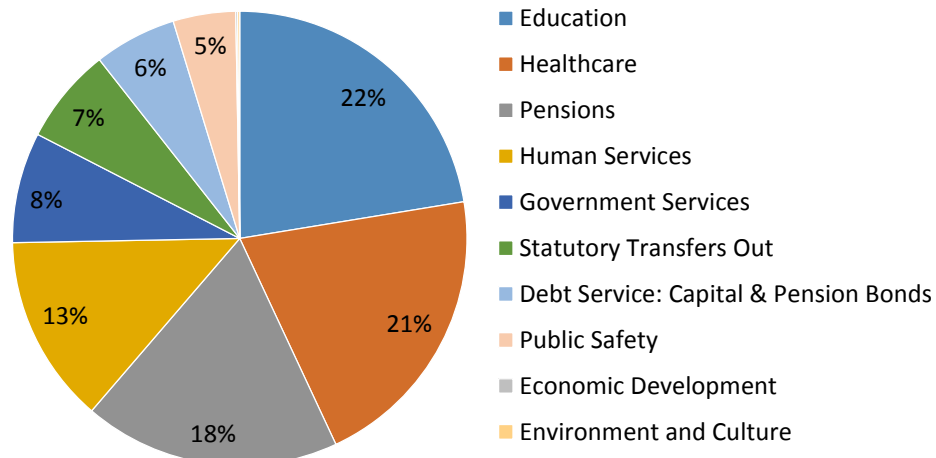
FY 2015 Actual

Total Revenues:	\$35,888 M
Total Expenditures:	\$35,358 M
Interfund Borrowing/ IOC Adjustments ³ :	\$501 M
Total Surplus:	\$1,031 M

FY 2016 General Funds Estimated Revenues



FY 2016 General Funds Estimated Expenditures¹



FY 2016 Estimated

Total Revenues:	\$31,712 M
Total Expenditures ² :	\$36,084 M
Total Surplus:	(\$4,372) M

¹Revised estimate from February 2016

²Total expenditures include potential spending not currently appropriated

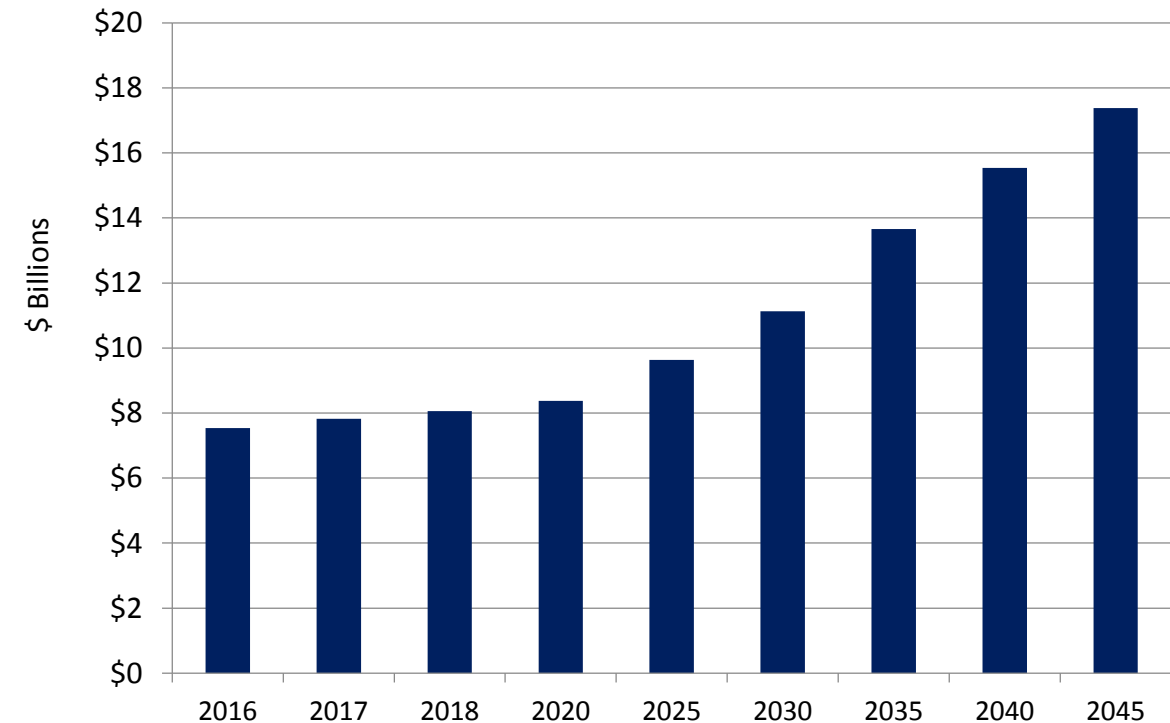
³ In FY 2015, Illinois interfund borrowed \$454 million that is not considered part of base revenues. IOC Adjustments are budgetary adjustments in the Traditional Budgetary Financial Report.



Pension Status

- Actuarial Assets as of FY 2015 are \$78.1 billion and the Asset Market Value is \$80.0 billion.
- The State Retirement System, in aggregate, is currently funded at 40.9% as of FY 2015 based on the asset smoothing method and 41.9% using asset market value; individual percentages for each fund vary.
- Despite a lack of the FY 2016 budget, continuing appropriations allow the Retirement Systems to continue to voucher payments for the State's contribution. The Comptroller is making payments as cash is available.
- The FY 2017 pension appropriation from all State funds is estimated at just under \$8 billion, \$6.9 billion from General Funds.

Projected State Pension Contributions





FY 2017 Estimated General Funds Revenues ¹

FY 2017 Revenue Estimates

- General Funds revenues are estimated to total \$32,818 million for FY 2017, a \$1,106 million increase, or 3.5%, from FY 2016 revised estimates.
- This estimate reflects income tax rates remaining at current statutory levels with moderate growth rate assumptions.
- The estimate in the accompanying table also reflects an estimated \$200 million from the divestiture of the Thompson Center (JRTC) and \$275 million from delaying the repayment of the Budget Stabilization Fund (BSF) until the State is on better financial footing.
- FY 2017 General Funds revenues without JRTC or BSF are estimated to total \$32,343 million.

	FY 2015 Actual	FY 2016 Revised Estimate (Feb 2016)	FY 2017 Forecast (Feb 2016)	\$ increase	% increase
Base Resources					
State Sources: Revenues					
Individual (gross)	17,682	14,644	15,022	378	2.6%
Refund Fund Deposit	(1,768)	(1,428)	(1,502)		
Education/Human Services Funds set aside	(480)	(881)	(901)		
Net Individual Income Taxes	15,433	12,335	12,618	283	2.3%
Corporate (gross)	3,129	2,690	2,780	90	3.3%
Refund Fund Deposit	(439)	(409)	(431)		
Education/Human Services Funds set aside	(4)	(6)	(6)		
Net Corporate Income Taxes	2,686	2,275	2,343	68	3.0%
Sales Taxes	8,030	8,140	8,310	170	2.1%
Public Utility Taxes	1,006	977	958	(19)	-1.9%
All Other Sources	2,421	2,168	2,353	185	8.5%
Total State Sources: Revenues	29,576	25,895	26,582	687	2.7%
State Sources: Transfers In					
Lottery	678	692	705	13	1.9%
Riverboat Gaming Taxes	292	271	273	2	0.7%
Other Transfers	727	693	991	298	43.0%
Fund Reallocations	1,284	-	-		
Total State Sources	32,557	27,551	28,551	1,000	3.6%
Federal Sources	3,331	4,161	4,267	106	2.5%
TOTAL RESOURCES	35,888	31,712	32,818	1,106	3.5%

¹ The State can provide no assurance that spending reductions, revenue changes or additional appropriations will be passed by the General Assembly or signed into law by the Governor.



FY 2017 Budget Proposal ¹

- The estimated FY 2017 “maintenance” budget – without transformations and spending controls – was expected to lead to a \$6,626 million deficit.
- After accounting for savings from transformations and proposed spending reductions - the Governor’s introduced budget for FY 2017 acknowledged the estimated remaining difference between FY 2017 expenditures and FY 2017 revenues totaled \$3,526 million.
- Governor Rauner proposed two paths to address this:
 - Working Together – enact structural reforms and spending changes, and then the Governor would support additional revenues, or
 - Executive Management – enact legislation giving the Governor the tools to reduce spending and reallocate fund balances.

Either plan, if enacted, would meet Illinois’ constitutional requirement for a balanced budget.

Governor's Office of Management and Budget General Funds Financial Walk Down				
\$ millions	FY 2015	Estimated FY 2016	Maintenance FY 2017	Gov Intro FY 2017
Base Resources				
State Sources	\$29,576	\$25,895	\$26,382	\$26,582
Transfers In	2,981	1,656	1,694	1,969
Total State Sources	32,557	27,551	28,076	28,551
Federal Sources	3,331	4,161	4,267	4,267
TOTAL RESOURCES	\$35,888	\$31,712	\$32,343	\$32,818
Total Operating Budget	\$30,775	\$31,469	\$33,672	\$31,486
Statutory Transfers Out (including interfund borrowing repayment) ¹	2,489	2,486	2,927	2,488
Debt Service: Capital & Pension Bonds	2,094	2,129	2,370	2,370
Total Transfers	\$4,583	\$4,615	\$5,297	\$4,858
TOTAL EXPENDITURES	\$35,358	\$36,084	\$38,969	\$36,344
Interfund borrowing and IOC Adjustments ²	501	N/A	N/A	N/A
Working Together or Executive Management	N/A	N/A	N/A	3,526
GENERAL FUND SURPLUS (DEFICIT)	\$1,031	(\$4,372)	(\$6,626)	\$0

¹ The Governor proposed paying back only \$15 million of the \$454 million interfund borrowed in FY 2015.

² In FY 2015, Illinois interfund borrowed \$454 million that are not considered base revenues. IOC adjustments reflect budgetary adjustments in Traditional Budgetary Financial Report.

¹ The State can provide no assurance that spending reductions, revenue changes or additional appropriations will be passed by the General Assembly or signed into law by the Governor. The budget proposal was introduced in February 2016.



Current Status of FY 2017 Budget

- As of May 31, 2016, the originally scheduled adjournment date for the General Assembly, an FY 2017 balanced budget proposal has not advanced.
- After this date, changes in law and appropriations with an immediate effective date require approval of 3/5ths of each chamber.
- The Governor has proposed a “bridge” FY 2016 and FY 2017 appropriations bill to cover essential State spending that would include:
 - Passage of a full year of FY 2017 funding for elementary and secondary education
 - Passage of full year spending authority to spend federal and other State funds outside of the General Funds covering FY 2016 and FY 2017
 - FY 2017 capital appropriations for State construction projects
 - Limited FY 2017 General Funds appropriations for critical State government operations tied to forgiveness of repayment of interfund borrowing
- In absence of a full FY 2017 budget, the State expects that the spending patterns would mirror the pattern seen in FY 2016.
 - Continuing appropriations would provide for pension payments and general obligation and Build Illinois bond debt service.
 - The State expects that court orders and consent decrees governing FY 2016 spending would continue to direct spending in FY 2017, including Medicaid, state employee payroll, and certain social services payments.
 - Statutory transfers to other state funds, including those for debt service, would continue.
- It is expected that the legislature and Governor will continue to meet to discuss authorizing some level of appropriations, but the amounts and timing are not known at this time. It is expected that any appropriations, if enacted, would authorize partial spending for part of the fiscal year.



Security for State General Obligation Bonds

Security

- The full faith and credit of the State is pledged for the punctual payment of principal and interest under the Illinois General Obligation Bond Act (the “Bond Act”).
 - The State can draw from all State funds in the State Treasury that are not restricted by law to another use if needed to pay debt service on GO bonds.

Flow of Funds

- 1/12th of the next principal payment and 1/6th of the next interest payment are set aside every month in the General Obligation Bond Retirement and Interest Fund (GOBRI).
- GOBRI is a separate fund in the Treasury.

Appropriation of Funds

- The Bond Act requires the Governor to include an appropriation in each annual budget of moneys in an amount necessary to pay all principal and interest due.
- The Bond Act itself constitutes an irrevocable and continuing appropriation of all amounts necessary to pay principal and interest.
- Funds for principal and interest on all outstanding GO Bonds may be paid even in the absence of a State budget.

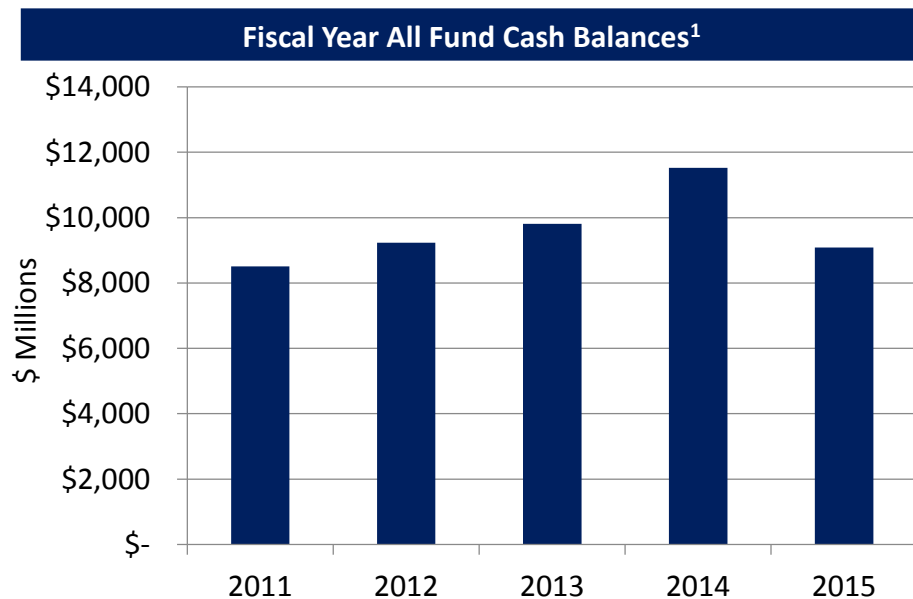
Additional Protection under Illinois Constitution and State laws

- The Bond Act explicitly provides bondholders the remedy to sue the State to compel payment and to satisfy the State’s bond obligations.
- The Illinois Constitution contains a “non-impairment” clause that prohibits action by the General Assembly that would, under contract law, impair the obligations of a contract between the State and its bondholders.



The State's GOBRI Fund Cash Balances Are Strong

- Moneys in GOBRI are used only for the payment of principal and interest on all GO Bonds issued under the Bond Act, including short-term debt
- Approximately \$2.1 billion in estimated transfers from General Funds to GOBRI is used for FY 2016 for debt service on GO bonds and \$2.37 billion estimated for FY 2017, with the balance expected to come from other State funds
 - The State transfers on average less than \$200 million a month from the General Funds to GOBRI
 - General Funds Revenues available to make GRF debt service total approximately \$2.5 billion a month on average and provide approximately 12.5x coverage on the amount required to be transferred into GOBRI each month for General Funds share of debt service
- As of May 31, 2016, \$1.03 billion was available in GOBRI



¹ Does not include Federal Trust Funds.

Transfers to the GOBRI Fund (\$ Millions)					
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
General Revenue Fund (GRF)					
Capital Bonds	\$540.2	\$452.8	\$550.9	\$573.3	\$562.7
Pension Bonds	1,667.2	1,607.2	1,552.5	1,685.0	1,531.1
Other ¹	189.0	-	-	-	-
Road Fund	391.6	332.9	359.3	358.7	346.7
School Infrastructure Fund	203.7	215.9	209.5	208.8	192.8
Capital Projects Fund	172.8	240.8	310.1	344.2	388.0
TOTAL	\$3,164.6	\$2,849.6	\$2,982.3	\$3,170.0	\$3,021.4

¹ Series of April 2010 Bonds were issued to fund Medicaid payments from the Healthcare Provider Relief Fund for enhanced federal matching revenues under ARRA. The bonds matured in March 2011.



General Obligation Bond Debt Service

- The Bond Act requires that GO Bonds have the following characteristics:
 - No more than a 25 year final maturity
 - Level repayment of principal. If term bonds are used, they must have level mandatory level sinking fund redemptions matching the level repayment structure
 - Average life of all outstanding GO Bonds is approximately 10.0 years
 - 25% of all bond sales in a fiscal year, by aggregate principal amount, must be by competitive bid
- Unless waived in writing by the Treasurer and Comptroller, next fiscal year's debt service cannot exceed 7% of last year's General Funds/Road Fund appropriations

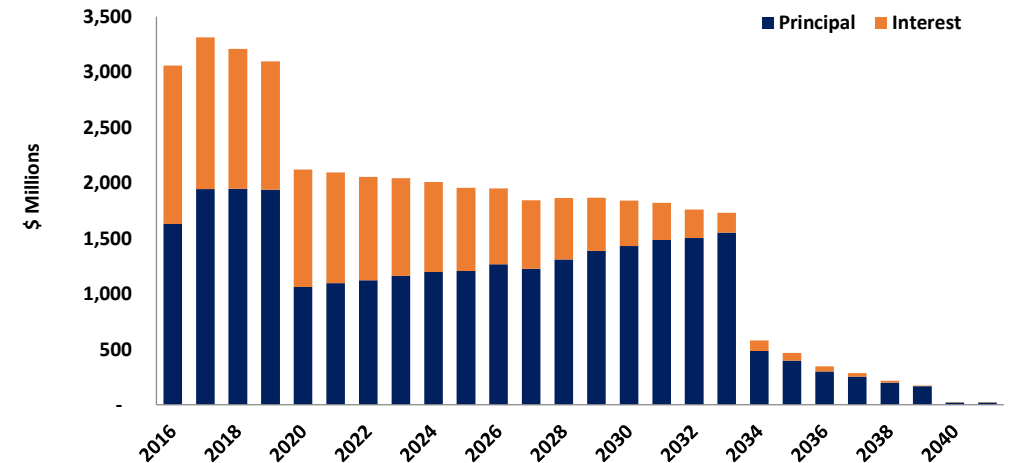
Current Par Outstanding²

Capital Improvement Bonds	\$13,762,197,111
Pension Bonds	12,100,000,000
<hr/>	
Total	\$25,862,197,111

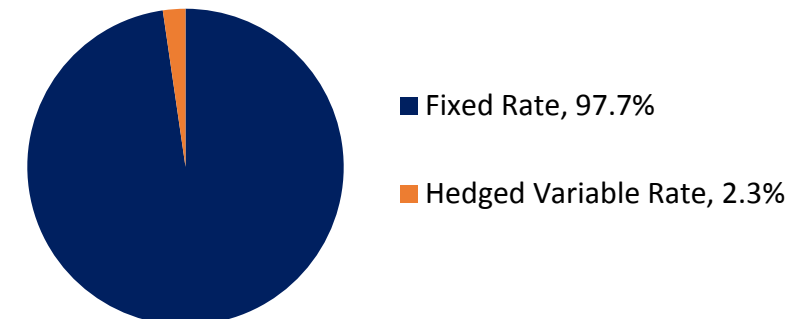
¹ As of April 30, 2016. Includes all debt service paid year to date in fiscal year 2016.

² Reflects the portion of the principal maturing during fiscal year 2016 which has already been paid.

General Obligation: Debt Service¹



Current Debt Mix²





Contact Information

If you would like to set up a call with the State of Illinois.

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